HOW THIS LAND CAN UPBUILD TRADE WITH SOUTH AMERICA

One Who Has Been a Keen Observer of Conditions in Latin-American Lands Gives Both Advice and Warning Anent the Effort to Increase Business with Them.

PLAZA VICTORIA SHOWING THE NATIONAL GOVERNMENT HOUSE BUENOS AYRES

By LEOPOLD GRAHAME.

SOME fourteen years ago, when the late King Edward successfully arbitrated the international boundary dispute which had brought the Argentine Republic and Chili to the verge of war, both countries agreed to reduce their naval armaments. Acting upon this agreement, the Argentine government sold to Japan her two newly constructed battleships, and for several days following there was a lengthy correspondence in one of the leading newspapers of the capital, under the caption of "How Shall We Spend Our Extra Millions?" Each correspondent suggested a different method of spending the money realized by the sale of the ships, but no one appeared to indicate the more prudent course of husbanding the national resources and of conserving those millions until a period of depression or some urgent reproductive objects should render their employment of greater advantage to the country.

By applying a similar process of reasoning to the many different suggestions made during the widespread movement initiated on the outbreak of war to increase the trade of the United States with South America and by showing what should not be done as well as what should be done to accomplish that purpose, a useful contribution may be made to the energetic but largely ineffectual agitation still proceeding and a very considerable saving of unnecessary expenditure effected.

As a preliminary to dealing with the many suggestions and policies submitted by publicists and commercial experts as elementary conditions precedent to the acquisition by American manufacturers of a larger share of South American trade, it may be well to state two general propositions which, as at present demonstrated, are calculated to impede rather than to advance an extension of business relations. The first of these is the constant association and intermixture of commercial effort in Latin America with Pan-Americanism.

The two subjects constitute entirely distinct fields of action, and must be separated if it is desired to avoid harmful results to both. The people of the larger countries of South America cannot reconcile the noble policies and disinterested efforts of Henry Clay, Monroe, Lincoln, Blaine and other great American statesmen of our own time to link the nations of this continent in a bond of sisterhood with the new-fashioned Pan-Americanism of industrial corporations and enterprising North American shippers. Whilst it is only just to declare that the government of the United States and the men of light and leading who are conscientiously striving to bring about a closer union of all the countries of America dissociate themselves from the form of Pan-Americanism referred to, the South Americans regard it as all Americanism and no pan and as implying by its transparent objects an offence to their common intelligence. They need American products, but they resent the introduction of any political creed or doctrine to aid them in securing the most suitable merchandise in the cheapest market.

The second proposition has reference to the question of combined action in the bid for South American trade, by the activities of chambers of commerce and kindred commercial bodies. These institutions are most excellent and useful in the direction of defending and advancing the general interest and of securing protection and advantages for the business community as a whole, but it should be clearly understood that a manufacturer who desires to extend his connections to South America cannot hope, as some evidently do, that the contribution of $20, $30 or $50 per annum for membership in one of these bodies will procure for him benefits of an individual character.

INDIVIDUAL ENTERPRISE AND ENERGY ARE REQUIRED.

The prevailing conditions in South America necessarily preclude any considerable immediate increase in the volume of trade with the United States, but never in the history of either division of the continent have such splendid opportunities presented themselves as are now available for an immeasurable development of the export trade of this country. The attainment, however, of that desirable end can be realized only by the application of individual enterprise such as would be exercised in the exploitation of good markets in any other part of the world.

All theories and speculation as to what the United States or its manufacturers should do to get business in, say, the Argentine Republic or Brazil are confusing and misleading. No special conditions other than those attaching to commerce in any other country are necessary for the opening of accounts in Buenos Ayres or Rio de Janeiro. At the present moment liberality in the matter of credit is an essential factor in establishing commercial relations, but even that concession can be so safeguarded as to make it of future advantage rather than an element of immediate risk. The South American countries are passing through a period of financial stringency, occasioned by abnormal circumstances, which are depriving them of the revenues usually derived from customs receipts and, per contra, from the sale of their national products abroad, but the history of the progress of most of them during latter years, and the vast resources and undeveloped wealth of the more important republics, reduce to a certainty the proposition that their future credit and stability are beyond all doubt.

In the columns of the press, in the pages of the magazines and on the public platform we have seen it urged that among other things it is necessary for the United States to grant loans and for the manufacturers to study the history and conditions of the South American republics and to undertake goodness only knows how many other responsibilities in order to obtain a larger share of their trade.

As a matter of fact, all these theories and ideas are based upon a wholly erroneous view of the situation as, if it were otherwise, the business would not be worth getting. To sell merchandise to a Brazilian or Argentine importer it is no more necessary to know anything about Tomas da Seuss, the Count of Arcos, Belgrano or San Martin, than it would be for the European merchant in New York to discuss with his prospective buyer the merits of Washington, Franklin and Adams, while, so far as granting loans is concerned, the prospects of extended commerce between north and south would be very considerably lessened if such matters had to be regarded as a basis of commercial intercourse. It is not likely that New York will become a market for the handling of South American government securities for many years.

Early in 1909 the National City Bank, the First National Bank, Kuhn, Loeb & Co. and J. P. Morgan & Co. took a direct participation amounting to $10,000,000 in an issue of Argentine national bonds of $50,000,000. Great hopes were entertained at the time, both in Buenos Ayres and New York, that a new financial era had dawned upon the two countries. The bonds, backed by a security which made them as intrinsically sound as United States Treasury bonds or British consols, were issued at a price which yielded the investor a return of nearly 5½ per cent, yet it is safe to assert that hardly a single bond was sold in this country, with the result that the bankers were compelled to send them to London and to other European centres for disposal. It may be that in course of time the relations of the National City Bank with the Argentine government will lead to a new order of things in this connection, but issuing houses are largely dependent upon the power of absorption by the public, and it is extremely questionable whether these conditions are likely to undergo such a change as to render possible financial transactions of the nature indicated in the very early future. Thus, the question of loans as a sine qua non to the extension of international trade must be dismissed.

MILLION DOLLARS MERELY A NUCLEUS OF CAPITALIZATION.

The absence of banking facilities between North and South America, which heretofore operated to the prejudice of importers and exporters, is now a thing of the past, the National City Bank having removed that important obstacle by the creation of branches in the principal cities of South America. The capital to be provided for these branches is officially stated to be $1,000,000, but that sum would be so ridiculously inadequate to the needs of the situation that it was reassuring to read in The Tribune the other day that, in an interview with Señor Anasagasti, the Argentine Commissioner General to the Panama-Pacific Exposition, that gentleman expressed his confident belief that the nominal capital fixed by the National City Bank for its South American branches was merely the nucleus of an extended capitalization, to be increased as occasion may require.

Of equal importance with banking in the development of foreign commerce, the question of transportation must be looked at from every point of view in order to secure the efficiency, rapidity and economy required to enter into competition with other exporting countries. It must not be supposed that to-day, because of the war, the existing services of steamships between North and South America are either sufficient or of the capacity essential to maintain what will become an ever growing competitive trade.

General E. C. O'Brien, a former American Minister to Uruguay and Paraguay, who has resided for many years in those countries and has authority for his opinions, stated the other day at a meeting of the New York Chamber of Commerce that the United States would lose both their favor and their trade unless adequate shipping facilities were provided to carry the heavy accumulating South American crops to foreign markets. But, even allowing for the difficulties and risks which beset ship owners at the present moment, the development of an American merchant marine able to compete in the important matters of freight and time with the mercantile fleets of European countries is an essential requirement of international traffic. The problem is how can faster ships be made to pay in the absence of return freight, such as, in normal times, go to Europe? The only alternative to the granting of national subsidies is for the American importer to look over California and other Western states and to take advantage of the magnificent and profitable openings staring him in the face for an enormously increased interchange of foodstuffs and raw material of the South American countries and the manufactured products of the United States. This proposition has received indorsement in the recently published cable from the Argentine government to its ambassador at Washington, in which it was clearly demonstrated that this suggested interchange of products could be easily and advantageously effected.

What is also needed for the benefit of all the countries is that the trade between North and South America shall be widely distributed, and not confined to a few large houses here and a few large houses there. The small importer in South America must be placed in direct contact with the small as well as with the large manufacturing concerns of the United States. To secure a proper share of South American trade the American manufacturer must send down to get it; and must use in Buenos Ayres and Rio de Janeiro precisely the same methods as he would apply to the chances of doing business in any American or European city.

Although the competition to be met in South America is far less keen than in most other countries, it must always be borne in mind that the United States even now is not the only country seeking an expansion of its South American business. Nevertheless, the present state of world affairs is such as to offer immense benefits to the American manufacturer if he seizes the immediate and unprecedented opportunities for securing a permanent and lucrative trade with South America, based upon a legitimate system of credit, which may be shorn of all undue risks if discreetly acted upon. Circulars, whether printed in English or Spanish; printed catalogues without personal explanation or demonstration, conferences, after-dinner speeches and similar propaganda are merely a waste of time, money and effort if they are to be employed as the only way in which to make South American connections; but, above all, there must be scrupulous care to avoid anything in the nature of misrepresentation, American houses of repute and strict integrity having suffered greatly in the past through the unauthorized misstatements made by dishonest travelling representatives.

It is likewise important to consider that while the South American countries are largely indebted to Europe for the capital and immigration which have so richly developed their national industries, there is no obligation to purchase from European countries, unless the articles they require are most suitable and cheaper than those to be obtained from the United States. Therefore, on the principle that "in business there is no friendship," it stands to reason that America is in a position to serve the South American markets, not only with manufactured articles, which are cheaper here than in Europe, but also with different classes of merchandise, which, in present circumstances, cannot be obtained elsewhere.

This suggestion of friendship as an element of business relations seems to be largely in favor with some of the American diplomats accredited to those countries, if their utterances are correctly reported, and a personal experience in this direction impels me to the belief that such is the case. About three years ago, a newly appointed minister to a South American republic expressed to me his view that "largely extended commercial relations should be established between North and South America, as the effect of the friendship shown by Argentina to the United States in giving this country the contract for the construction of the battleships." Shocked by the suggestion, I at once called his attention to the fact that his statement was not only incorrect, but likely, if repeated publicly, to create a great deal of harm. In the first place, I explained that there was no friendship in the transaction, the contracts having been given by the Argentine government as the specific result of exceptional advantages offered by the American shipbuilders and the United States government; and, secondly, that had the matter been one inspired by favor, the Argentine government would never have wished it to be said, as it would obviously have strained their relations with those countries which for so many years have given vitality to their currents of commerce and industry.

Unfortunately for the supporters of this friendship theory, the contract for the construction of the Argentine battleship has not led to the happiest of consequences for any of the parties concerned. To begin with, the estimates submitted, according to specifications, were so low and the resultant loss so heavy that the company which constructed the Rivadavia was practically forced into bankruptcy, while the Argentine government has been compelled to maintain in this country for about four years a naval commission of something like 200 officers to supervise the construction of the ships and, incidentally, to see that the right material was used. It is fair to add, however, that the Argentine officers are thoroughly satisfied that the skill and material employed in the construction of the ships will render them in every respect, the most powerful and best equipped warships afloat. On the other hand, the prospects of further shipbuilding contracts from South America have not been improved by the recent refusal of Chili, for reasons of dissatisfaction, to accept the two submarines just constructed to the order of that republic on the Pacific coast. Fortunately for the shipbuilders, owing to the war a purchaser of the vessels at a higher price, was found in the Dominion of Canada, otherwise they might have remained in the market for an indefinite period.

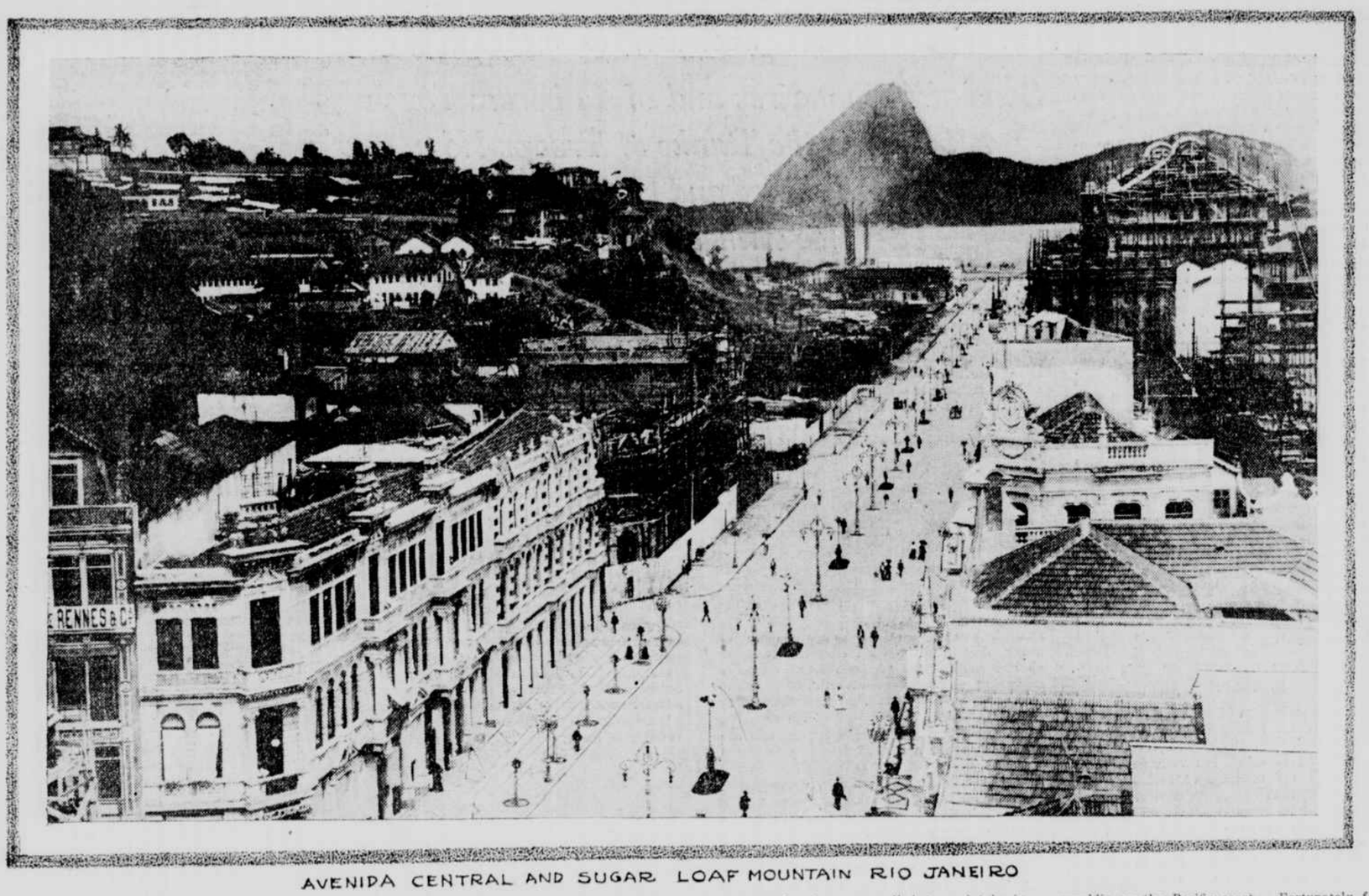
To these facts, which are of signal importance in dealing with the financial and commercial relations of North and South America, there should be added at least an outline of the true story of the Argentine contract for the two battleships, as the incorrect statements current in a section of the press and the numerous claims put forward for the credit of having secured the business for this country are calculated to produce the exactly opposite effects to those evidently intended. While it is always indiscreet to boast of cleverness in carrying out a commercial transaction, especially where the other party thereto has a sensitive temperament, it may be frankly stated that practically all the cleverness exhibited in the making of the contract for the building of these ships is to the exclusive credit of the Argentine government officials, who secured, as above stated, exceptional advantages.

The first step taken to obtain the order for the American yards was in 1908, when the then American Minister to the Argentine Republic, Spencer Eddy, made overtures to that country's Minister of Foreign Affairs. When it became known here through official sources and through a cable from Buenos Ayres to The Associated Press that the United States would be included in the schedule of countries to be permitted to tender for the construction, representatives of the American steel and shipbuilding industries waited on the government at Washington to invoke official influence to help them to secure the contract. In the face of the paralysis of the shipbuilding trade and the conditions of labor prevailing at that time, the government later agreed that in the event of the Argentine government contracting for the building of the ships in this country it would communicate certain naval plans of importance to the Argentine authorities and would permit Argentine naval officers to train on American warships. Subsequently, a retired admiral of the United States Navy, acting on behalf of the builders, proceeded to Buenos Ayres and as a result of the negotiations then entered into and the very low figure to which the estimate of cost was ultimately reduced, together with the concessions referred to, the contracts were given to the two American companies. Whatever further negotiations took place were of purely secondary importance, the only parties entitled to credit for wresting the contract from Europe being the United States government and the shipbuilding companies who made great sacrifices to secure the business for this country.

The narration of these facts is closely pertinent to the subject under review, and if it serves to suppress the idle and mischievous stories that either this man or that secured these contracts for the American people, it will remove one of the most dangerous elements in the campaign for extended South American commerce.

It is not by such matters as instruction in the art of packing parcels and cases, or in pretentious claims to commercial superiority, or, by elaborate printing, eloquent speeches or political references that the trade with South America will ever be increased. The methods of common sense and practical business can alone form the foundation upon which business is to be built up. Personal representation, suitable articles properly demonstrated, the right prices, liberal credit and honesty in dealing are primary conditions to an important accession of trade with the South American republics.

MONROE PALACE, RIO DE JANEIRO, BRAZIL



AVENIDA CENTRAL AND SUGAR LOAF MOUNTAIN RIO JANEIRO

"THE COST," A WAR PLAY THAT SEEMS TOO TIMELY FOR LONDON

By ARTHUR RUHL.

IF Mr. E. Temple Thurston's new play, "The Cost," is not a commercial success in London—and very likely it will not be—one of the reasons will be that it is too interesting, rather than not interesting enough. It is not only timely, it is too timely.

When every one is thinking and reading about war—eating it and sleeping it, one might almost say—such lines as Mr. Thurston's characters speak—mere theorizing perhaps at any other time—strike almost physical nerves. Take, for instance, such a scene as this played in an atmosphere so hysterical with anti-German feeling that every person whose name remotely suggests German origin is likely to be suspected of being a spy, when firms of long and honorable standing must needs explain that their founder, some hundred years ago or more, was not German but Swiss; when even the First Sea Lord must resign lest he, too, because of his German ancestry, embarrass England's policy and give help to the enemy; such a scene as this in a typical suburban household:

There is the father, much the same sort of opinionated old gentleman as the father in "An Englishman's Home"; the mother, whose horizon is bounded by her household duties; flippant young Percy, with his mauve socks and mauve handkerchief up his sleeve; the daughters, Mabel and Dorothy, the latter a pallid, bookish sort, with spectacles; and John, a high-strung, intellectual young man, of about thirty-six, very evidently spokesman for the author. They are talking—the time must be about the first of last August—about the newspaper rumors of war.

"Why Germany?" says Dorothy. "I can't think why there is all this hatred in England against Germany. When I was over there last year they were all delightful to me. I've got friends in Germany now I wouldn't lose for all the world."

"Don't talk nonsense, Dorothy," growls her father. "Germany would cut our throats if she could. She's stealing our trade at every possible opportunity. I find it in my own business every day."

The mother says that surely Dorothy wouldn't wish Germany to win if she went to war with England, and Percy hops in with: "She'd get kicked off the face of the earth if she did." John's high spirited, attractive young wife, Judith, says: "That's the spirit." And then John says:

"You surely don't mean that. Why should any country be kicked off the face of the earth? Think of what the mind of Germany has contributed to science, to literature, to music—to everything! Why should it be decimated as a nation any more than us? Why should all that mentality be crushed?"

"I am sure God will be on our side," observes the placid mother.

"How about them?" asks Percy. "They'd be just as certain He was on theirs." To which Mrs. Woodhouse answers, with her usual calm: "How could He, Percy? They're Germans."

You can hardly get the full effect of such dialogue as this at home, or understand just how startling it seems as one hears it coming across the footlights of the Vaudeville Theatre, with the newsboys shouting the last extras outside in the Strand,—papers full of atrocity stories, new slaughters, warnings to every Englishman to see to it that every German or Austrian he knows be registered at once as an alien enemy.

John Woodhouse has just written a book on "Ethics and Moral Philosophy." He has a passionate hatred of war. When his young wife asks if he isn't really glad that Germany will never submit to the conditions in the ultimatum he answers:

Glad? Good heavens! Glad! That all this fine blood of the best and fittest men we have is going to be spilt! We must fight—of course, we must fight; but that there should be war at all, that's the horrible realization. It ought to be loathsome to the minds of every one. War is not progress—it's the strangulation of it. How can the mind of nations lift itself through the evil passions that war sets free? How has it ever become possible that war sets free? How has it ever become possible for a country to spend its millions—which are nothing but the counters representing the value of its vital energy—how has it become possible for a country to waste all that in the invention of weapons, intended to deal out death to the fittest and best, while it wastes more millions at home in preserving the unfit and the effete? In the name of heaven, where's the logic of it? The world's gone mad.

A little later, when it appears that war is inevitable and the family immediately begins to think of laying in supplies of food, John protests against their selfishness—the selfishness that "makes possible all this ghastliness of war." . . .

Look at it in the papers. They're writing articles already on how we can capture German trade when we've beaten her. That's the spirit of war—the fat purse to the prizefighter who can't fight for the love of the sport alone. Blood-letting does no harm, though it's an old and barbaric enough remedy, God knows. But here, there are going to be rivers of blood. Eight million men! Think of it—the finest blood in Europe. . . .

. . . Lies of the enemy's atrocities will be published in every paper to inflame our passions. We shall hear of all their brutalities, but none of our own. A month or two of that would kindle the beast in any one. And so it should. I'd be sorry for any man whose gorge didn't rise when he hears such stories as they're bound to tell him. I don't blame him. It's war that should be blamed. We shall all be doing it. Every man will become a brute. You can't wage war with your hat in your hand and a clean pocket-handkerchief on your sleeve. War's barbaric and barbarians must wage it. Oh, there's no reason to suppose that I shall be immune from the hysteria of it all.

In the end John proves not to be immune. He cannot work nor think of but one thing. He feels that his wife, in spite of her silence, would prefer to have him enlist, and he goes off to the front at last. He is wounded there, struck in the head, and the masterpiece he was about to write will never be written. His health is right enough, but the doctors tell him that any prolonged effort of concentration would be fatal. Yet he brings down the final curtain with the conclusion that there is no need for any bitterness about the war. He still has his wife and their son——

. . . Somehow or other, I don't feel bitter about it. The struggle of men's bodies may not be so noble a thing as the struggle of their minds, but it is a struggle. It's the essence of endeavor, and without endeavor there's not one of us can achieve. I can see things now I couldn't see before. War is strife, and strife is the striving of men's souls, and without that striving we should all wither into nothingness. Can't you see what self-sacrifice we've achieved through this war? Think of the thousands who've found their way to unselfishness. How many of us have not been made men. . . .

The conclusion of Mr. Thurston's play is weaker than the beginning. John is more eloquent talking against war than in adjusting himself to the state of mind about him. The spectator is left with the feeling of getting nowhere—that the author has, as they say, not proved anything. But if the play should not continue long it will not be because of its artistic failings so much as because of the subject, or rather of the state of the public mind toward it. The war is too real and overpowering a thing, people feel it too closely and bitterly to want to pause just now to theorize about it.